



Opinion Science Podcast

Hosted by Andy Luttrell

Applying Behavioral Science with Melina Palmer

December 6th, 2021

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Andy Luttrell:

As a social scientist, I'm really driven by a desire to understand and explain the world. How do people work? Why do people think differently about some issue? It's a nagging curiosity that fuels all this work.

But when I was a grad student, I remember telling my mom about the research project I was working on, digging into the different reasons why people become confident in an opinion and how that relates to the ways they engage with persuasive communication, and she was like, "Huh. But how does that help people?"

When you study people and how they work, it's natural to want to take those findings and implement them to accomplish something. People are interested in social science because they want to use it to boost their influence, improve their lives, become more successful, and so on. But the scientist behind the finding isn't always the right person to go to when the goal is to put it into practice. That's why we need people who understand the science but also understand the practical problems that arise. They're the ones who can develop tools that are built on social science and that suit the unique needs of the problem you're trying to fix.

You're listening to Opinion Science, the show about our opinions, where they come from, and how they change. I'm Andy Luttrell. And this week I talk to Melina Palmer. She's the founder and CEO of The Brainy Business, which provides behavioral economics consulting to businesses around the world. Earlier this year, she released her first book, *What Your Customer Wants and Can't Tell You*. And she also hosts the popular podcast, *The Brainy Business*. I was on it a few months ago! Check out Episode 173 if you want to hear this voice answering questions instead of asking them.

I wanted to talk to Melina about how she got involved in social science and applying it to the business world and how she goes about bridging the research with its application.

Andy Luttrell:

I think probably the easiest way to get into this is to get into your background a little bit, so my impression of you is that you take these kind of academic concepts and bridge them to applied business setting, whereas I might come at it sort of primarily from that, like my origin story is the

academic one, my impression is that you have a little bit more of that business leaning origin story. So, where did this all come from?

Melina Palmer:

Yeah, so yes, business leaning origin story would be fair to say. I got my undergrad in business administration with a focus in marketing and I remember when I was in school, there was just this one section of one book, in one class, that was just this tiny little thing about buyer psychology and why people do the things they do, and I was enamored and knew it was just amazing, and in that moment said, “Someday, when I go back and get a master’s, I know an MBA is not for me. I want this.” And I was calling it I think business psychology or something for a long time, and I spent the better part of 10 years calling universities and having them all say, “That’s not a thing. There’s no program in that. You can create your own and come to our school.” Which is like, “Well, if I knew what I needed to study, I don’t really need to pay you, so nah.”

I just was working in business. I worked at an advertising agency. Started running a marketing department for a financial institution in Seattle and was just looking for other programs and things to kind of fuel what I was looking for. And I was in this essentially what you could call an innovation fellowship, this like two-year program that people from around North America, they get hundreds of applications through this company called the Filene Research Institute to come in and they invite like 12 people a year to be part of this two-year program.

And so, I was in one and they brought in some speakers as they did for us every six months, and at one of them they were from the Center for Advanced Hindsight at Duke University and they were talking about the work they do in behavioral economics, and I just had that epiphany moment, you know? Where it’s like, “Oh my gosh, this is what I’ve been looking for.”

Andy Luttrell:

What a weird name for that thing I’ve been trying to...

Melina Palmer:

Right. And as a marketer I’m like, “Economics? Really?” But fell in love. Found myself a master’s program and jumped right in. And what I ended up discovering is while the field is based on research for decades, going back, still was very, very academic at that time, and arguably is now too, even though we’re getting some more applied work there. But when I started my master’s, things that were so obvious to me about how this research translates to brand strategy, and marketing, and communication, internal communication, and change management, and pricing for brands, and goal achievement just wasn’t anywhere. Nobody was talking about it. It wasn’t in any of my books. It wasn’t in the research for most of what we were looking at.

And so, I said, “Well, I guess I’ll do that. I’ll start talking about it more.” And launched what, as far as I know, is the first behavioral economics podcast specifically for business in the world, and had many people find it organically. Now in over 170 countries and just lots of people were looking for what I wanted to talk about and find myself, and so yeah, here we are.

Andy Luttrell:

Nice. Do you remember what that first little nugget in a textbook was?

Melina Palmer:

I don't. It's a funny thing where I remember exactly where I was sitting. I know which professor it was. I know the room.

Andy Luttrell:

Was it a marketing class? What kind of class?

Melina Palmer:

Yeah. It was a marketing class, and it was... I think it was a book that had to do with pricing that just happened to be... Okay. Undergrad marketing, I always sort of joke where it was like it's like a tiny bit of everything. It's a very generalized sort of a degree. And so, yeah, I believe it was a pricing course, or book in a marketing class that we were doing there, so yeah.

Andy Luttrell:

And it was just sort of a simple like, "Oh, there's psychology research out there about..."

Melina Palmer:

Yeah. And it was probably even just like, "In the brain, blah, blah, blah." I just remember having that like, "Weird. I never even thought about," moment. But the specific statement I don't remember. And while I have been in some contact with that professor, it's been a few years now, so I don't think he would know.

Andy Luttrell:

You're not gonna go digging through the book. You know, it's funny, because marketing by its nature is about people, right? So, you'd almost think that that would be... I mean, from my vantage point as a social psychologist who does marketing-related research, it's like, "Well, yeah. What is it if it's not psychology?" And there's a lot of just sort of like strategy, modeling, econometric sort of stuff. That's my impression. Is that sort of like the bulk of what that stuff is outside of the psych perspective?

Melina Palmer:

You know, it should be, and I would like it to be that more. This particular professor, Dr. Rose, and he had previously taught at Ole Miss, and I remember, but he was talking about some of the research he had done when he was at Ole Miss, and doing the herding type, and we were watching the videos of everybody says like, "What happens if you mix red and yellow?" And everybody's like, "Purple, purple, purple." And do you follow the lead, sort of these classic sort of studies that people are familiar with. And looking at personas and trying to get at what people can't articulate. Just barely scratching that, but I think when you start to work and apply in marketing, and we get into the system two type of processing versus system one, and your logical brain thinks that someone should do this, and you rely on how smart your brain thinks you are, you get away from remembering that there's a person with a brain on the other side more often than we would like to say or think.

And so, that's where whatever they need to do, and you need to drive an action. You need to get them to do something. And so, I think it's coming around and I really hope that the behavioral sciences are gonna become a requirement in all business schools soon enough.

Andy Luttrell:

Totally. So, behavioral economics is sort of the perspective that you hang your hat on, which is a particular perspective, and comes... It's its own little hybrid world of economists and psychologists but of the sort that are sort of like floating on their own, in their own island. And so, I wonder, we haven't really talked about behavioral economics much on this show. There's more to come. But from your vantage point, how would you define what behavioral economics is just as a field?

Melina Palmer:

Yeah. My sort of easy, and you said a little bit of it there, is this. If traditional economics and psychology had a baby, behavioral economics, here we are. And so, knowing that really the field came about because traditional economics builds models assuming logical people making rational choices in everything that they do. And because our world is made up of imperfect humans and our brains don't really work that way as much as we would like for them to. You end up with models that don't accurately predict behavior. It's what people should do and not what they actually do.

And so, over time you had economists, psychologists, neuroscientists, all kind of either working together on projects or entering into one another's fields to try to answer these questions and see if there are these common threads within the brain that can be used to more accurately predict what people will really do and then to use that for messaging and things like that, so that's how behavioral economics was born.

Andy Luttrell:

When you first came upon behavioral economics, do you know kind of what that first insight was? What was the thing, you said it sort of blew your head open? What about it was so surprising?

Melina Palmer:

Yeah, so I actually know from... So, when the folks from Duke University's Center for Advanced Hindsight were presenting, they were talking about an experiment that they had done in Kenya, and so like I said, I was from a financial institution, so this is about helping people save money, and they were looking at all these... I think they'd had 12 different types of interventions that they were running to help people to save over six months, and so you had text messages that would come to you as if they were from your kid saying, "Wow, mom. Thank you so much for investing in my future. It means a lot." To help kind of nudge you to do the thing you said you wanted to do, looking at like a hot-cold empathy gap or something like that.

They also had matching funds, a couple of other things, and then they had sort of thrown in this gold coin, which around one side had the numbers one through 12, and 13 through 24 on the other, because it's a 24-week program, and just each week if you saved like you were supposed to, you put a little notch on the edge of the coin through those, so you get some gamification, the priming reminder from the coin, and what they found was that this coin, this thing they sort of threw in as

a, “Let’s see what happens,” was the most effective. And actually, it was most effective even on its own without matching funds, which for financial institutions, it’s very expensive to try and encourage people to save and even though people say they want to save, we say we want to help you save, it’s just a constant issue and it can be very expensive.

And so, this idea of something that’s built on these principles that can help a financial institution to help its... I was at a credit union, so members, to save money like they want, that’s not gonna cost a lot of money, is amazing. And so, I ended up actually when I got my master’s, I had to do the dissertation, which master’s level is different than PhD level and I’m very aware, so research project, we shall say. But I worked with the Filene Research Institute to turn that into a white paper. I did a version of the gold coin experiment. Dan Ariely, who is the head of the center at Duke University and very well known within the field of behavioral economics was nice enough to have a call with me as a lowly master’s student saying, “Hey, I want to extend your research and would love to hear a little bit about...” Every section of an academic paper has the “For future studies, would recommend look at this, or that, or the other.”

So, he had a chat with me, and I ended up landing on doing a refrigerator magnet, because here in the U.S. we’re not carrying around like doubloons in our pocket, so gold coins are not really relevant, and even an app, it’s not... You can easily ignore a notification, whereas this magnet on your fridge, and it had... I did gold stuff around numbered one through 24. It was lottery kind of scratch material that you can do each week if you save with a financial institution over the 24 weeks. And we did find that that condition, people saved more, and they had a higher... They used net promoter score if anyone’s familiar with NPS for the organization. It’s likelihood that you would recommend to somebody else than the other two groups.

Andy Luttrell:

Oh, sure. I was wondering what’s in it for the institution and I suppose... I guess there are institutional reasons why you’d want people to keep money in your bank or credit union, but that it’s also getting people to feel more committed, right? They’re like, “Oh, I was able to help myself through this program so then everyone wins on those outcomes.”

Melina Palmer:

Yeah. I mean, there’s a loyalty piece that comes in with that, for sure. But also, so credit unions specifically, and then community banks more, but credit unions are built, they’re not-for-profit financial institutions and they’re built on a philosophy of people helping people. They put a lot of resources into financial education and helping people to be able to save, and do better, and like I said, other... It’s not only credit unions but that was at the point, they’re built on a little bit of a different structure.

So, for them, they’re constantly working on giving back and doing education and trying to help people. When you think about there are these statistics of 66% of people don’t have enough saved for a \$500 emergency, and that is a big problem, obviously, and what that does both if your car breaks down, and that all these other things happen, and trying to help people to save and to be able to get loans and better rates on their cars, and to pay their bills and live good lives, that really at the core of many financial institutions, they really do want to help people.

Andy Luttrell:

So, that was work with financial institutions, and you've since broadened out from there to sort of just business in general, business goes on. So, in doing so, what are some early examples that come to mind, or even just like powerful examples of behavioral economics that a person in business would benefit from?

Melina Palmer:

Well, this is actually another financial institution example, but it's one just of something simple that you can do, which is looking at the way that you say something. So, this concept we use of framing. How you say something matters more than what you're actually saying. And the research that I really like on this is imagine you're in the grocery store, you're out to buy ground beef, and you get in there, there are two stacks, basically identical, but one is labeled as 90% fat free and the stack next to it is 10% fat. Which one sounds better, and do you want to buy? And I've said this to groups around the world and most everyone says, "90% fat free." Yes, they're the same. We get it. But that kind of subconscious buying behavior... You can't not... 10% and you're like, "I haven't been to the gym in 18 months. 10% fat sounds disgusting but 90% fat free is such a great choice for me and my family." Again, same exact thing but it hits your brain totally differently.

And so, knowing something as simple as that can help you to communicate to where you're gonna be more effective even if you're saying the same thing in a different way. So, I was working with a financial institution that was launching a new rewards checking account that they were super excited about, and they had planned... They had their big media buy, and they were gonna be going out with billboards, and just wanted to talk with me about some of the imagery and stuff, and their headline was, "Earn 1.26% APY on up to \$25,000 in balances." Because that's gonna capture your attention as you're driving by on the freeway at 60 miles an hour. And it was Southern California, so much faster than that.

And so, thankfully they listened to my recommendation of a reframe of that, and so instead the message that I got them to put out there was, "Did your checking account pay you \$315 last year?" It's a very clear no, they did not, and who's talking about that sort of an idea, that then you want to learn more and go see where that comes from and be able to figure out what that checking account is. And they ended up enjoying 60% month-over-month checking account openings after when they launched that without having to increase their buy, without having to spend more. Just framing it in a slightly different way that it hits the brain so that it wants to take an action.

Andy Luttrell:

Do you have any advice for folks who know the research, who know the principles, but are now in a position to apply them? I think this is a conundrum that I certainly am faced with, where I go I'm perfectly happy to just go, "Isn't it interesting that people prefer this one frame or the other?" But when a business comes to you and says, "We have this dilemma, and we'd like to solve it." Are there any tangible steps that you might take to say, "Okay, let's diagnose this problem and try to figure out what a behavioral economics solution would look like."

Melina Palmer:

Yeah, so the biggest problem that businesses and the people who make them up make, whether you're specifically looking to apply behavioral economics, or you just are working on a project or

a problem within your company, is not spending enough time thinking about the problem and making sure you're actually working on the right thing. And so, like you said, the isn't that interesting is actually an approach that you have to teach people in business to remember how to do, that like we are natural born questioners, but based on our school system and things like that, you're very much taught there's a right answer for every question and you're looking for that sort of perfection, and it came to mind my brain is better, faster, smarter than everybody else. It must be the real thing and I'm gonna go work on that.

So, I like to start with this example of just thinking about Albert Einstein, because you know, smart guy, I think we can all agree, and has been reported as saying... was asked if you had an hour to save the world, how would you spend that hour? And he said he would spend 55 minutes thinking about the problem and five minutes solving it. And in a world where Einstein, like I said, pretty darn smart, and he wanted to spend enough time thinking about the problem because any problem he can solve in five minutes, so maybe you need a little bit of a different ratio, but... So, as I like to say to people, it's really easy to find the right answer to the wrong question, and the first thing that comes to mind is not often what's really going on.

So, spending more, if you think about your last project, or program, or whatever you worked on, how much of your respective hour did you spend thinking about the problem? And that's not a one-hour meeting before doing thousands of hours' worth of work. If you were to take... Maybe it wasn't even like probably five minutes of your respective hour thinking about what's really going on. And there are these... Businesses have a lot of known truths is what I call them. That's sort of the sacred cow approach. You've probably heard that before.

But an example that I really like is one of a company called The Littery, and so if you were... If I was to say to you, "Hey, listener, you have a new job and until you solve this, you can't do anything else professionally for the rest of your life." And what it is is you have to get every single person in the world to properly throw away and sort their garbage every single time. Feel like you're doomed? This is a very Sisyphean task you know you're not gonna get through. But if you were to sit down and do some research, and think about how you're gonna do it, what would you jump to? It's probably a logical argument for why it's important. You say, "Oh, people just don't know. If they only knew what garbage island is like." Or we could show them one more picture of a turtle with a straw in its nose, or do that one other brochure, or documentary, on and on. They need to learn how... what's compost? So, we put the right picture on the bottle thing. Whatever.

But people have been trying that for a really, really long time and it doesn't actually influence the behavior that you are trying to change, so what The Littery did in working with a behavioral economist is looking at some tendencies that already happen in the brain and how you can use those to get the outcome that you are looking for. And so, what they did is they turned litter into lottery tickets, which is how we get The Littery as their name, and anytime that you properly throw away and sort garbage, they have these smart garbage cans, and you get entered into a lottery. Easy enough.

Where they decided to test was in movie theaters, which, if you remember, are pretty gross. Even the most clean among us maybe feel entitled to just leave popcorn and wrappers and soda whatever on the floor and someone will take care of that. They tested in four locations over a full 30 days

and had 100% compliance of people throwing away and properly sorting their garbage. People were actually seen running through the aisles trying to find if somebody happened to leave garbage behind so they could throw it away. Women rifling through their bags, looking for gum wrappers, or tissues, or something so they could get an extra entry. And no one had to tell them what compost was and what was recycling and whatever. They knew what they needed to do. They threw it all away properly. And the prize in that case was only 5,000 euro, which is a lot, but if you think they're partnering with statewide or countrywide lotteries where you can win millions, now instead of when you're walking down the street and you see a bottle and you think, "Ugh, some people are disgusting," and then you just keep going, you instead go, "Ooh, I could win a million bucks. I'm gonna throw that away." And it gets you to change your behavior.

So, lesson there, understanding the behavior that needs to change, what's keeping people from doing it, and this is actually one of the hard, really hard parts I think for people in business, overcoming your desire to have someone motivated and as excited and passionate about it for the exact same reason that you are to get them to change their behavior. So, would you rather have in this case people know the exact dimensions of garbage island and what all matters there and they don't recycle, or they have no idea of it at all, but they're more likely to put things where they're supposed to be, so their behavior changed but for perhaps the wrong reason. You know, so overcoming that mental block is a big piece.

Andy Luttrell:

So, in that case, in terms of diagnosing the problem, the problem is not about awareness of the utility of recycling or the positive benefits of sorting your trash. In that case, what was the actual problem that people were overlooking?

Melina Palmer:

Just physically throwing things away. Caring enough in the moment to do something about what needs to be done. In the space of behavioral economics, we talk about nudges, and so where someone is inherently nudgeable to get them to change their behavior, so when you're kind of on the fence and you could go either way. I might care enough that I'm going to take 10 steps to put it in the recycling, or I don't really care and I'm just gonna drop it, or throw it out the window, or whatever that is. Another really great example of a nudgeable moment is a study that was done in the U.K. with opportunistic insurance fraud. These are those little, tiny, little fibs that you have of like, "I know my 16-year-old son's gonna be the primary driver but I'm gonna say it's me because it's gonna save me a little bit every month." It's not something you probably planned for months, like, "Wahaha, when I transfer, I'm gonna do this."

Andy Luttrell:

How devious.

Melina Palmer:

Right. In the moment you just kind of go... You could go either way. This is your nudgeable moment. This problem was costing the insurance industry 1 billion pounds across the U.K. every single year, which means everyone's premiums are higher, and it may feel like what do we do? How are you supposed to actually get anybody to change that behavior? That's just how it is. And it was sort of accepted for a long time. And then they did some research and tested some of these

little nudges that they could incorporate, one of them using priming to where we've all had to prove we're not a robot many, many times, and so the captcha in this case, the word you had to type was honesty. You wouldn't even think twice about it because it's a randomly generated thing, but it was able to reduce those opportunistic fraud moments by like 50%.

Andy Luttrell:

Wow.

Melina Palmer:

Which, when we're talking about a billion-pound problem, that's 500 million-

Andy Luttrell:

That's huge.

Melina Palmer:

... that is saved from something so simple that nobody noticed, logically, and it helps everybody out, really.

Andy Luttrell:

Yeah. I'm thinking of sorting translating this approach to persuasion from the perspective that I often come at it, too, because it's like sometimes you go, "I wish people could see this my way. I wish people would support this political candidate who I know is gonna make change or whatever." And we go, "I just need to tell them this." Right? But what we really need to do is figure out why doesn't the person currently agree, right? And some people are nudgeable or persuadable because you go... Some people are just so heels in the sand, not gonna budge, and so maybe it's not even worth bothering. But for folks who go, "Well, no. I mean, I could see this in different lights if I were to be given the right argument," the only way to get through to a person in that way would be to first understand what is keeping this person from seeing it this way, right?

What would it take, in other words, for them to see it this way? So, that diagnosing the current state, like why aren't people already doing this? Because oftentimes the things we want to get people to do, we're like, "Yeah. Why aren't people doing this? Isn't this the thing that everyone should be doing?" Or health protective behaviors, like, "Why isn't everyone just already eating salad for every meal?" Well, okay, first we gotta figure out why they're not, and then we can devise a solution by leveraging those motivations to move forward. Does it sound like I'm getting that perspective right?

Melina Palmer:

Yes. Definitely. And so, I actually teach a class at Texas A&M on internal communication and change management, and understanding with the brain, and how to better communicate with people as you're trying to move forward within business, which is a lot of what you're talking about there, where someone maybe feels like they're not nudgeable. One of the things I really advise in that case, so for one, there's a lot going on with the brain. We can't consciously register everything that we want, and our brains are biased to what we already believe to be true on both sides, so for one, there's that. And so, we can both be saying different things. We can disagree and still both be right is one thing that I think is very important for people to consider.

And to know if you are approaching that same person every single time we have confirmation basis, and so if I think Andy is super difficult to talk to, he's always gonna combat everything that I say, and I'm coming in guns blazing for every conversation, I'm like armed to get you to my side, it's probably not gonna work out very well because you're very defensive based on what I feel like I'm hiding, my aggression in that conversation, but I'm not. Because we have this perspective.

So, if I'm approaching all these conversations of trying to prove to you that you are wrong, I will have an uphill battle forever, whereas if I think about my own responsibility of helping to make change easier and instead come in with an open mind, being that sort of curious questioner and saying, "How can I learn from what you think is important? What do I not see here?" If I'm open to hear from you, it can put a little tiny little opening to where you may be willing to hear what I have, and we can be looking for compromise instead of me forcing you to whatever my area is. And when you look at persuasion, sort of the godfather being Robert Cialdini, so in his new version of his book Influence, he talks about a seventh principle of persuasion being unity, and this important of being of us, like so we are part of the same, and he was telling me on the show about this example of a coworker who was known as being very curmudgeonly and that he needed, so Bob's working on a proposal, the grant needs to be in tomorrow, he realizes there's this piece of research he's missing, and the person who he knows has it is this guy.

And so, he called him or sent the message out and said, "Hey, I really need this. Can you help me out?" And the guy's response is, "You know, Bob, it's not my fault that you don't have good time management. That's on you. I don't need to help you with this." You know, you made your bed sort of a response. To which you could further appeal and say, "But I really need it, I have to have this, and it's good for whatever," and he already said no to that appeal, but instead what he said was, "We've worked in the same psychology department for 12 years. I really need this." And he said he had it by the end of the day.

So, appealing to being part of that same team can sometimes be enough to overcome a lot of... even a curmudgeonly type of person.

Andy Luttrell:

I wanted just to by way of wrapping up switch gears a little bit to talk about this series that you've done for your show where you break down the success stories of major companies from the perspective of behavioral science. And I'm just curious, my guess is that you just sort of thought, "Maybe this will be interesting. I'll try this out and just who knows what's gonna happen," and then the response has been pretty great, right, is my impression?

Melina Palmer:

Yeah.

Andy Luttrell:

And you've done a whole bunch of them now, one of which as of the moment we're talking just came out. What is it about that that you think people respond so much to?

Melina Palmer:

I think that... So, I've done these, I call them a behavioral economics analysis of... company, right? So, we have Starbucks, Disney, Costco, Peloton, and the one that is current as of now is Amazon. That just came out a couple days ago. And I think that there's a little bit of because we know the company so well, you can very clearly see when I talk about something and say, "Starbucks, in the way that they use the stars that you can earn when you're buying, and this is what it does," or the Amazon Prime, it's looking at membership in this way, which is habits, and herding, or whatever.

Because you see it and people say, "Oh my gosh, I buy from them because of that. Or I too have this scarcity piece with Costco that I feel like I have to buy anything in the moment that I like it because it might not be there in an hour if I come back but it's because of their great return policy," and whatever. So, I think that being able to really, clearly see when I talk about anything and tie back to a company that you love, and a brand that you already have an affinity for, and it helps you to be able to see something in the real world, and then if I'm telling you this is how you would think about that for your own business, in some cases it's I will tell you don't just jump in and do that. Specifically, like Costco's membership model, that is not a fit for a lot of businesses even though it may feel like it should be because it works for them. It doesn't mean it's good for you, so you really want to think through a couple things before you jump in because it happens to work for Costco.

So, having that sort of perspective of something you see and maybe have already thought about, the, "I wonder why they do that," and to be able to understand how they have become successful is something that people can really tie into and be able to associate and share with others.

Andy Luttrell:

You sort of hinted at it, but the one caution that I have with it is you're kind of looking back from a perspective of success, and you go, "Oh, look at all these things that match what the principles are." But would you say that you go, "Okay. Well, now I can take this as a lesson and I can look forward to the future for a different company and know that if I do those things, it's gonna pan out." I guess the meta question behind this is like what are the promises and limitations of taking basic principles that come from the academic literature and implementing them with any guarantee of success?

Melina Palmer:

I would never give a guarantee of success, for one, and very specifically, just even in this episode of Amazon, I start by talking about survivorship bias and to say I don't know if they were specifically looking for any of these principles and implementing them. I haven't worked for Amazon or with anybody. This is things that I see that you can keep in mind, for one, and so knowing that we see things differently when we're looking at them in hindsight or whatnot in these cases, whether it's on one of those analysis episodes or where I do foundations episodes, so like I have an entire episode about scarcity and one about loss aversion. They also have chapters in my book. It's very much about at its core, this is what this concept is and why it matters for you, and as you go in and look to test, for one, the big thing that matters, context at the end of the day. Things are not generalizable in the way that our brains would like to think that they are, so if there

was a study done of nurses in Australia, and you are working with bankers in Japan, doesn't necessarily... don't assume that that's just gonna work across the board.

And so, testing things is incredibly important. And for my book and the podcast is helping people to know what's happening in the brain, things that have been found through a lot of research, and then to say if you want to try to start testing with some of these, you can start with some simple A-B tests and something like framing, that 90% fat free versus 10% fat, is very easy to go in and say, "Hey, if we send this email in two versions and we've thought about this, we believe this is the problem, and let's see if we message it this way versus this way if there's an impact." That is a very safe way to be applying and see how it works for you, in your business, in the specific context, with a specific audience, and a behavior you are trying to shift in that moment, and even if it works or doesn't, you've learned something, and to know just because it does work really well on this particular email doesn't mean silver bullet across the board that it will always work. It's a lifestyle of curiosity and testing.

Andy Luttrell:

Yeah. I like that. It's an approach to doing business, not a set of tools, or not a set of solutions.

Melina Palmer:

Yeah, for sure. I use the analogy in my book about behavioral baking and essentially if you decided you wanted to go open a bakery, but oh, darn, you've never baked anything in your whole life, what are you gonna do? You have to understand a little bit about the ingredients, and how they work, so you don't end up with three cups of sugar and a tablespoon of flour. It's gonna be a big mess. So, you want to know what's going on, but you could make a whole bunch of different things from flour, sugar, butter, and eggs, so if you try to just throw it all into a bowl and hope it's gonna be delicious on the other side, it's probably not, and so you need to know going in. Am I making brownies, or cupcakes, or cookies, or pizza dough? Because they're all using a lot of that same stuff.

And even if you have a recipe to follow and you're using like a box cake mix, the first time maybe your cake doesn't rise, maybe it's not very fluffy, whatever. But you have to test a few times to get comfortable and then maybe you can add in some new spices, or chop up some fruit to put in there, or whatever it is. And eventually maybe you try something from scratch, and you can make all the birthday cakes in the world, but when the wedding comes up, you're calling the pros to help you out.

So, if you were to put the behavioral economics on top of that, you want to know the concepts. Those are your ingredients. My book, I just pick 16 that I think are top ones for businesses to know from the hundreds that are out there, right? So, you pick some concepts, you know how they can work, you have a recipe of sorts to follow and there are a couple in there to give you some comfort, but you're gonna be testing, and you're figuring stuff out. Might not be perfect, but that's okay. It's not a, "I tried behavioral economics once and it didn't work so that's not real." Right? That's not okay. So, then maybe you start to experiment with some other concepts along the way when you get some comfort in your testing and you can be building that out.

But when you're working on the billion-dollar problem, or when it's really, really important, you want to work with an expert firm, whether that's through an academic lab, whether it's companies like mine, whatever it is. You're bringing in an expert to make sure that you're... because the wedding only happens once, and you don't want a totally nailed it-failed it sort of cake experience.

Andy Luttrell:

It reminds me, I'm a giant America's Test Kitchen fan. I don't know if you're super familiar. And their gluten... I mean, we have a friend who's gluten free, and so I was like, "I love to bake. I have absolutely no idea." And I'm so impressed by the process that they outlined, which to me almost seems like even pushing this metaphor a little further, which is like sure, we understand the basics, the chemistry, how these things work together, but now we're in uncharted territory where we lost one of our ingredients. We can't use flour.

So, we have to then do a little work to understand this new problem. What are the options available? And so long as I get how pieces generally work, we can have a reasonable first attempt, and then sort of narrow it down. And then you mix it with these things, and you go, "Yeah. No, this is great." I didn't realize that if you knew the principles well enough and you're willing to test a little bit in these uncharted territories, you can actually nail it at the end of the day. But if you go in blind and you're like, "I don't know. I guess I'll just mix rice flour and water and put it in the oven." You go, "Oh, God, no."

Melina Palmer:

Yeah. So, funny enough, I have celiac disease, so very familiar with the gluten free.

Andy Luttrell:

Well, check out America's Test Kitchen gluten-free baking book. They're so good.

Melina Palmer:

Yeah. And I would say so there are some cup-for-cup flours that are out now where it was such an expensive endeavor to try to make your own gluten-free flour at home for a long time. It's like I don't really need to spend \$100 to get a cup of flour, so I'll be cool just not having that, and things that taste like garbanzo beans or whatever. Yeah. So, yes, the world has thankfully come a long way in the world of gluten-free flours to where you can make most things pretty good, so I'm a fan.

Andy Luttrell:

Good, good. But by way of just finishing up, I wanted to give you the opportunity to just tell people about the podcast, the book, other things you've got going on, and where they can find it.

Melina Palmer:

Yeah, absolutely. Well, all of the things that I do, it's easy. You can just find me at thebrainybusiness.com, so my company is The Brainy Business. The podcast is also called The Brainy Business and you can find it wherever you listen to podcasts. My book is What Your Customer Wants and Can't Tell You and it is really in all the places that you buy books, as well, but you can find links on my website. As I mentioned, I teach applied behavioral economics

through a certificate program at Texas A&M University. Also write for Ink Magazine. All on my website, thebrainybusiness.com, and you can find me on the socials as TheBrainyBiz, B-I-Z.

Andy Luttrell:

Very cool. Well, people will check it out, and I'll keep my eye out for what's next from you.

Melina Palmer:

Thank you.

Andy Luttrell:

Thanks for being here.

Melina Palmer:

Thanks for having me.

Andy Luttrell:

Alrighty that'll do it for another episode of Opinion Science. Thanks to Melina Palmer for taking the time to talk about her work. You can find more about her at TheBrainyBusiness.com. Her new book, *What Your Customer Wants and Can't Tell You* is available now, and listeners of this show can read the first chapter of the book for free! Just go to thebrainybusiness.com/opinionscience. You can also subscribe to her podcast, *The Brainy Business* wherever you get podcasts.

Hey, speaking of subscribing to podcasts, make sure you're subscribed to Opinion Science to get new episodes the moment they're released. The second there's a new episode, you can have it! You can do that on all the usual places like Apple Podcasts, Stitcher, Overcast...and you can do it on a bunch of unusual places too, I'm sure.

Follow the show @OpinionSciPod on Twitter and Facebook. Episodes and transcripts live online at OpinionSciencePodcast.com. And leave a review on Apple Podcasts to help the show's visibility! Someone very recently left a review, writing: "I am a big fan of psychology podcasts, so I have listened to a variety of different ones. Hands down, this is the best." Which is very nice. In fairness, I'm going to assume this person hadn't listened to the Brainy Business which I'm sure would tie for best with Opinion Science.

Oh—and one thing I wanted to make a note of. In my interview with Melina, she mentions some research that used a captcha that primed honesty as a way of nudging people not to engage in opportunistic fraud. We recorded this conversation before some of the criticism of this kind of research this really blew up, but I should mention that the power of these simple honesty nudges haven't fared all that well when people have tried to replicate them or look into the original studies. As far as I know, nobody's specifically commented on the study Melina mentioned, but some of the early claims in this area were that having people sign a commitment to honesty before filling out things like tax forms can actually reduce opportunistic lying. Turns out, this isn't a super robust finding. This wasn't the main point Melina was making, but it seemed worth including this little addendum.

Anyhow, it's December somehow. When I wasn't looking, we've lived most of the way through 2021. Who saw that coming? But that's gonna do it for me. Come back in a couple weeks for more Opinion Science. Buh bye...